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ECONOMIC DEFENSE POLICY REVIEW

Staff Study No. 16  
Revised Draft of June 20, 1955

U.S. Policies on Enforcement of Controls

This revision of the draft of June 7, 1955 of Staff Study No. 16, on "U.S. Policies on Enforcement of Controls", is transmitted for your use in connection with the work of the CFEP Drafting Group on Economic Defense Policy Review.

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Executive Secretary

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Staff Study 16  
June 20, 1955

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Economic Defense Policy Review  
U.S. Policies on Enforcement of Controls

I. COCOM Enforcement

A. Present Control Arrangements and Understandings

1. Primary controls over the export of strategic goods

It has always been understood in COCOM that the main responsibility for applying and enforcing strategic controls rests with the country from which the shipment originates. In the first two years of COCOM, relatively minor attention was given to the manner in which the participating governments implemented the International Lists. Member governments were assumed to have the means of applying and enforcing export controls.

As various ancillary controls and greater emphasis on enforcement have developed, the exporting country's responsibility has been modified to the extent that the cooperation of other countries involved in the transaction as importer, shipper, forwarder, etc. may be enlisted (in accordance with IC/DV, voyage licensing, TAC controls). However, it remains a basic principle that the exporting country must exercise its export controls (normally based on a requirement for individual export license) with due care as to the reliability of the exporter and the final destinee, including end-use checks when necessary. End-use checks are particularly important where the destinee is located in a non-PC with sensitive transshipment areas.

2. Ancillary Controls

a. The IC/DV (import certificate - delivery verification) system

was the first of the ancillary controls, adopted early in 1951. It is a procedure

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for the exchange of these documents (IC's and DV's) covering shipments of strategic items between participating countries, having the purpose of assisting export control authorities in determining the legitimacy of export applications and acting as a deterrent to illegal diversions. In the IC, the importer makes a commitment to his government not to re-export or divert the shipment without the approval of his government. The IC is then submitted to the authorities of the exporting country in support of the export license application. The DV is issued by the importing country when the goods actually arrive, certifying that the goods actually came under its export control. IC/DV has become an important adjunct of primary export licensing procedures exercised by COCOM PC's and to a limited extent by several non-COCOM countries.

Operating problems and proposals for improving the effectiveness of the system have been discussed periodically among COCOM countries. The most notable improvement has been the government-to-government transmittal of copies of IC's. This, together with other improvements, appear to have substantially eliminated forgery of IC's and other fraudulent devices used by illicit traders.

b. The TAC (transit authorization certificate) system was put into effect in January 1955 by the COCOM countries, and was the main new enforcement feature of the 1954 revision of COCOM controls, providing a basis previously lacking for preventing transshipments of embargo items (I/L I, Atomic Energy and Munitions items) to the Sino-Soviet bloc. Such goods originating in participating countries will not be allowed to be transshipped to Soviet bloc destinations by PC's unless that is the intent of the originating country, evidenced by a TA certificate accompanying the goods.

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The TAC scheme has not been in operation long enough to permit a real testing and evaluation, but it seems clear that several of the PC's have taken a narrower view of the TAC system than had been anticipated by the U.S. and others, reducing its effectiveness as a means of stopping diversions as well as raising questions as to the proper operation of TAC and complicating present efforts to enlist participation in the TAC system by non-COCOM countries originating strategic shipments.

c. Transactions controls are in effect in the U.S., U.K. and Canada, having the purpose of prohibiting residents of these countries from engaging in off-shore transactions involving the delivery of I/L I, Atomic Energy or Munitions items to the bloc. (U.S. transactions controls cover other Positive List items as well.) Other COCOM countries have indicated that their existing financial controls would accomplish the intent of transactions controls. The Dutch have long claimed that they made no distinction between strategic goods exported from The Netherlands and those commodities which were purchased abroad and sold by a Netherlands firm to a third country. In discussions prior to the 1954 revision they refused to adopt transshipment controls (i.e. TAC) until the UK would agree to exercise transactions controls. The British agreed to adopt transactions controls as a result of the 1954 list reduction.

While there are questions under study in the Executive Branch as to the adequacy of UK transactions controls, there has not been sufficient experience with them to identify positively any major problems. Other questions as to interpretation of transactions control regulations have arisen in the context of stoppages under the TAC system.

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d. Voyage licensing and bunkering controls have been operated by a number of COCOM countries to prevent the carriage of embargoed goods to Communist China and North Korea in flag vessels of participating countries, and, by the U.S. and U.K., to deny bunkering to any vessels carrying embargoed goods. A number of non-COCOM countries have also taken steps to ensure that ships of their registry would carry out the intent of the UN embargo. These controls have, however, been of limited value in restricting the flow of strategic goods to Communist China and North Korea mainly because such shipments can still move to these areas by bloc vessels and other means of transportation.

The effectiveness of these controls would be increased (a) if voyage licensing were to be applied by other PC's to Far East ports of the USSR, in view of the possibility of subsequent transshipment to Communist China and North Korea, and to any shipments known to have such a destination whether or not they are actually delivered there by the vessel in question, and (b) if bunkering controls were to be applied by the U.K. to return voyages. The U.K. and other participating countries have considered such extensions to be unwarranted in the absence of conclusive evidence as to these shortcomings. Thus far the U.S. has not been in a position to bring forward such evidence as would be necessary for the negotiation of tightened controls.

3. Multilateral Exchange of Information on Illegal East-West Trade Transactions.

In June 1954 COCOM worked out a procedure for multilateral consideration of diversion cases (COCOM Doc 1634). This provides for coordination by interested COCOM delegates of live cases in order to prevent the diversion

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of strategic shipments and also for discussion of closed cases to illustrate loop-holes in enforcement techniques. It was the U.S. intent that this procedure would serve to develop greater awareness in other COCOM countries of the need for stricter enforcement and would also stimulate direct representations by them to countries responsible or involved in diversion cases rather than relying on U.S. representatives as intermediaries.

To date relatively few discussions of cases have been initiated in COCOM under these procedures. There have been various reasons, including apathy or reluctance on the part of various PC's and some limitations on initiation of **cases** by the U.S. Means to bring about increased discussion of enforcement cases in COCOM are under consideration in the EDAC agencies, including a proposal for meetings of technical investigative and enforcement officials of the PC's under COCOM auspices.

4. Extension of COCOM Agreements and Understandings to Non-COCOM Countries.

In the enforcement field this is likely to remain a significant and time consuming **exercise**. Those third countries which have an export trade in strategic items have for the most part indicated their intention to **cooperate** with the **purpose** of the International Lists or Battle Act List in not allowing **direct** exports of embargo items to the bloc. However, it is in connection with better application of source controls and adoption of TAC and IC/DV, so as to prevent **indirect** shipments to the bloc, that greater success is needed.

The cooperation of a number of non-COCOM countries appears to be especially important to the success of the TAC scheme. The U.S., with help

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from the U.K. and France, have conducted most of the third country approaches on behalf of COCOM. A few non-COCOM countries have already agreed to cooperate in TAC.

IC/DV procedures have already been adopted in whole or in part by Austria, Switzerland (blue certificate), Yugoslavia, Peru, Mexico (Cobre de Mexico), Chile (some copper exports).

The problem countries comprise those which are significant as transit points in Europe and the Mediterranean area and a few which have a significant export trade in strategic items, such as Chile and Mexico. Certain of these have posed delicate negotiating problems, made more complex by the fact that the Netherlands and possibly other COCOM transit countries appear to expect fairly complete export control systems on the part of the third countries and public identification with the TAC scheme before they can be recognized as participants in TAC.

## II. U.S. Enforcement Measures Taken on a Bilateral and/or Unilateral Basis

### A. U.S. Measures

#### 1. Battle Act Termination of Aid Provisions (Title I and Title II)

On eight occasions prior to July 1, 1955, the President has announced his decision to continue aid to specific countries when there had been shipments of items specified under Category B Title I of the Battle Act, on the basis that it would be contrary to U.S. security interests to terminate aid. These shipments have amounted to \$17.6 million. There has been no instance of termination of aid under the Battle Act (either Title I or Title II), but, for policy reasons, the U.S. has refrained from extending economic aid to Ceylon because of the latter's shipments of rubber to Communist China in the face of the UN embargo.

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Most of the COCOM countries have been the subject of Battle Act exceptions, as well as Austria, Israel, and Iran. Most of the cases arose from prior commitments, and were discussed in COCOM prior to inclusion in trade agreements.

COCOM procedures for prior consultation and exceptions have served to deter the inclusion of embargo items in new trade commitments, and bilateral discussions pursuant to Battle Act termination of aid provisions have also worked toward this end. In addition, there have been reports from certain non-COCOM countries that improvements were instituted in the application of local controls following discussions with local officials of cases which, had they not arisen from administrative error, would have been the subject of Battle Act determinations.

2. Administrative Action Program

This program (which is one of withholding certain U.S. privileges from foreign firms which are reported to have participated in diversions) in the past year has had some revisions designed to encourage the other participating countries to assume their responsibilities in enforcing strategic trade controls. Solo efforts by the U.S. to police international controls may have tended to expend goodwill unnecessarily and to "wear out our welcome". These revisions have also been intended to make the program more adaptable to the circumstances which generally prevail in individual cases and more acceptable to foreign governments.

3. Compliance Proceedings - Department of Commerce

While criminal penalties are provided in the Export Control Act of 1949, it is seldom that evidence can be obtained in a form that is required under U.S. criminal law for the conviction of either a U.S. or foreign national. Thus, increasing emphasis has been placed on the employment of administrative

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sanctions against both U.S. and foreign violators, using the compliance proceeding..

Unlike the **black** list techniques of World War II, compliance proceedings have served to give foreign countries and their nationals an assurance that the U.S. would give them the same fair notice and hearing, the same kind of due process, that it would extend to U.S. nationals.

The sanction itself is imposed by a published order issued by the Department of Commerce. Since the beginning of the cold war about 200 cases have been instituted, of which about one-third have been against foreign nationals. (The total of U.S. and foreign nationals suspended is well over 500.)

The decision of whether or not to institute a case against a **foreign** national involves consideration not only of the **offense** itself but also such factors as the impact of the case on the country of the violator and the deterrent effects that the case may be expected to have on other traders and possibly even other countries.

#### 4. Foreign Assets Control

The Foreign Assets Control Regulations administered by the Treasury Department, prohibit all United States dollar account transactions, direct or indirect, with Communist China and North Korea, regardless **whether** or not strategic trade is involved. Where the United States dollar facilities of foreign banks are utilized in connection with transactions with Communist China, the Treasury Department can take appropriate blocking measures against the dollar accounts of such banks.

In addition, the Treasury administers the transaction control

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regulations which prohibit persons in the United States from engaging in transactions involving the shipment of strategic materials located outside the United States to the iron curtain.

Both regulations contain criminal provisions. Criminal prosecutions to date for violations of the Foreign Assets Control Regulations have resulted in a number of convictions with substantial fines and one with a prison sentence. There have been no criminal prosecutions for violation of the transaction control regulations.

Import controls under FAC regulations with respect to goods in which there is a Communist Chinese financial interest will be taken up in greater detail in a separate paper being prepared in the Treasury Department, and their significance and impact are not evaluated herein.

5. Controls Over Foreign Sales of Surplus Strategic Equipment

Consideration of the problem of working out control measures to prevent the diversion to the Soviet bloc of strategic items sold locally from U.S. overseas surplus was undertaken some time ago when it came to light that strategic goods from surplus stocks, in particular automotive parts, were moving by indirect means to the Soviet bloc following normal overseas surplus disposal sales. Recommendations for safeguards which should bring about adequate controls were devised by representatives of USRO/ST, CINCEUR, USAFE, USAREUR, and USFA and are under review in Washington.

6. Diversion Control Net and Related Activities, Including Intelligence Collection

Arrangements for preventing diversions of strategic shipments to the Soviet bloc have constituted a major part of the enforcement program. In

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Washington this led to the development of the Diversion Control Network (DCN), an inter-agency group chaired by MDAC with the Departments of State (ECD), Commerce (BFC), Treasury (FAC), Defense (OSD), and CIA all represented. In the field, Economic Defense Officers were designated in all the **principal** posts, and a European **regional** coordinator designated in USRO/ST.

The DCN has served to improve the coordination and pooling of efforts and to ensure that in any particular case each agency knows who has action responsibility. It has also been concerned with evaluating the effectiveness of controls, uncovering weak spots and developing improved enforcement techniques, backstopping and instructing U.S. missions and the delegation to COCOM in specific diversion control activities.

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The importance and magnitude of the diversion control problem was illustrated recently by a [redacted] study on shipments of copper from the Free World to the Soviet bloc in 1954. The study concluded that about 80,000 tons of **embargoed** forms of copper reached the bloc despite COCOM controls.

The DCN is heavily dependent upon intelligence support. An effort is constantly made to bring to bear all intelligence collection resources to support the DCN and other enforcement activities.

7. Watch List and Other Commercial Intelligence Operations.

All of the U.S. agencies which administer export controls maintain and exchange information about U.S. and foreign individuals and firms suspected or known to be engaged in illicit East-West trade and other kinds of violations of export control regulations. These are confidential lists and are mainly used in screening of applications for export licenses. The BFC Special Check List

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is often called the "Watch List" by those officials who work with it. It also serves to alert Foreign Service and other Government officials to particular firms or individuals whose activities might require more than routine attention, end-use inquiries, etc.

There has never been acceptance in COCOM of an international watch list of suspect firms or individuals, except for identifying Communist controlled firms in Austria.

8. Exchange of Technical Teams

There have been visits to the U.S. of technical teams from all but three of the COCOM countries, while teams of U.S. experts have now visited seven of the most important COCOM trading countries. These have served to bring about better knowledge and mutual understanding of each other's control policies, licensing procedures, enforcement techniques, inspection methods, and to emphasize U.S. concern with adequate enforcement. There have also been occasional informal discussions of policy questions in connection with these visits.

Just as greater initiative in enforcement activities by other PC's is desired, it has long been felt that the most desirable future development in exchanges on technical teams would be exchanges between the European PC's themselves. The most promising field for this appears to be in implementing and improving the TAC scheme.

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Analysis of Problems and Deficiencies of Enforcement

The problems and deficiencies in the enforcement program may be placed into two categories -- one relating to the multilateral aspects, the other to the unilateral or bilateral phases. Strictly speaking, it is difficult to separate the two since activities in which we engage unilaterally cannot fail to have some effect on our multilateral relationships.

A. Multilateral Problems and Deficiencies in Enforcement

1. Negotiating Delays and Difficulties. On the international side, the development of the enforcement program by CG/COCOM/CHINCOM has been achieved only with considerable negotiating delays and difficulties. Agreements on TAC and UK Transactions Controls were part of a quid pro quo for the August 1954 list reduction. The adequacy in practice of individual PC implementation of the new ancillary controls and their impact on the patterns of East-West trade have yet to be determined, and the institution of equivalent controls in certain non-PCs is still in the negotiating stage.

2. Non-Uniformity of Controls Among PCs. The systems of controls of the individual PCs inevitably are non-uniform inasmuch as they are elements of the legal-administrative framework of individual states. In spite of agreement upon common objectives in COCOM, the technicalities inherent in local customs regulations, licensing procedures and the like provide many opportunities for both real and assumed inequities in controls. The stimulus of private competition, national rivalries and divisive propaganda tend to magnify these essentially technical problems unduly to the general detriment of mutual confidence in a joint effort.

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3. Inadequate Legal Bases for Controls. Without adequate legal bases not only is it impossible to exercise satisfactory licensing controls, including the use of end-use checks and other precautionary measures, but it is also difficult to impose strong enough punitive action to deter violations of controls. Laws in force in some countries greatly restrict the normal collection of commercial intelligence. Although a generalization attempting to characterize the inadequacies of foreign administrative and legal systems with respect to trade control laws and regulations would not be meaningful, it would be correct to assert that the laws and regulations of the United States are markedly more useful in support of the economic defense program than are those of most other PCs. The availability of and the approval accorded to administrative (quasi-legal) sanctions in the United States exceed considerably their acceptance and utilization in other PCs.

4. Reluctance To Implement Satisfactorily Enforcement Program. The reluctance to implement satisfactorily the enforcement program is based on a number of factors. Possibly the most important of these is the political climate prevailing in Europe at this time, which influences the attitudes of PC governments toward the entire control program.

More specifically there are the following:

- a) Reluctance of some countries to adopt enforcement measures unless all interested countries adopt similar measures;
- b) Emphasis of foreign government economic agencies on trade promotion rather than trade control;
- c) Commercial secrecy resulting from fear of competition;
- d) Confidential nature of controls in some countries;

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- e) Understaffing of enforcement agencies of foreign countries; insufficient orientation of enforcement personnel re the objectives of the program;
- f) Reluctance of foreign enforcement personnel to discuss mutual problems with U.S. embassy officers;
- g) Inadequate intelligence information; difficulty of investigation on the basis of limited information.
- h) Personal risk to officials under foreign libel and slander laws.

5. Technical Descriptions of Controlled Items Complicates Enforcement.

The task of the enforcement official is made difficult by the detail and technical nature of the description of certain controlled items. The distinction between a controlled and uncontrolled item may depend upon a technical difference which the average enforcement official is not trained to recognize. There are inadequacies in existing and available instructional material for the use of enforcement officials in the various PCs.

6. Professional East-West Traders. A sizeable number of professional East-West traders has always been available to the Bloc for the procurement of strategic commodities. They are experienced in commercial matters and possess an on-the-spot familiarity with East-West trade opportunities. Their ingenuity represents a constant challenge to the enforcement officials of the individual PCs.

7. Inadequate Enforcement by PCs of Lists II and III. The utility of IL/II and IL/III controls is measurable directly by the adequacy and timeliness of the statistical reports which the PCs have agreed to make to COCOM.

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Having been forced to a recognition of prior inadequacies of their performance, the PCs agreed in COCOM in December, 1954 on a revised program to which adherence was promised.

8. The China Differential. Perhaps the most active and troublesome problem in the enforcement area is that caused by the differential level of controls over trade with the Soviet bloc in Europe and in Communist China. At the time of the 1954 List reduction the PCs agreed that the List changes would not be applicable to trade with China, that exports to the European Soviet bloc should not frustrate controls over trade with China, and exports to the Soviet bloc in Europe should not be approved if it was likely that they would be diverted to China. There has been little evidence of denial of exports under these circumstances. In fact, the quantity and value of known diversions to China via the European Soviet Bloc and Western countries have been significant. Diversions of non-I/L I goods to China have been facilitated by the removal from pre-shipment licensing controls, except for direct shipment to China, of most I/L III and China Special List items and by the applicability of IC/DV to only Munitions, AE and I/L I and II items, and of TAC to only Munitions, AE and I/L I items.

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Of the problems referred to above, the last (relating to the differential level of controls) is the most serious. However, with the general resistance by the PCs to any extension of controls, albeit small, plus the desire on the part of most PCs to reduce the level of China controls, it is most doubtful if we can obtain substantial tightening of enforcement measures applicable solely to China trade. Our future course of action in this area is dependent on the outcome of

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the over-all review of security trade control policy, in particular that covering trade with China. It should be noted that the criteria for an evaluation of the importance of trade to China are not necessarily the same as those established for the 1954 review of controls relative to the European Soviet Bloc, and the enforceability of controls is directly related to the composition of the list of controlled commodities.

For the other problems, 1 - 7, we can point to the PCs deficiencies as they occur and press for the small modifications required to effect improvements. To this end the exchanges of teams of technical experts initiated by the United States can go far to impress upon the PCs the importance which we attach to effective enforcement and provide an orientation for foreign government relative to U.S. policies, standards and procedures.

**B. Unilateral Problems and Deficiencies in Enforcement**

The U.S. has also experienced certain problems originating in its 25X1C unilateral enforcement activities. From the beginning the U.S. has found itself 25X1C in the position of international policeman in the enforcement of trade controls, particularly in cases involving non-U.S. goods. We have [redacted]

25X1C [redacted] conducted our own investigations, have pressed for foreign investigations and appropriate action, have coordinated action by several PCs, have underwritten costs of preventive measures, and have taken administrative action against foreign firms involved in illegal trade. Our activities have been received by the PCs with mixed feelings. Our ability to act in the enforcement area varies from country to country, to the extreme that in certain countries we are restricted to contacts with the Foreign Offices and may be politely told that investigations

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involving non-U.S. origin goods or nationals should not be of concern to us. Our taking of administrative action is usually resented, at best only tolerated. This attitude on the part of foreign governments is especially pronounced when their firms have actually not violated local laws or regulations and they accordingly consider U.S. interest and action as unjustified interference. Because of this feeling the U.S. modified its Administrative Action program last year to change its basis from one of prejudging liability under foreign law and to encourage investigations of AAP cases by foreign governments.

With respect to illicit East-West trade in non-U.S. origin goods, the most serious U.S. problems come from friendly countries' embarrassment when we expose inadequacies in particular cases or in the general aspects of their programs. Much of this, of course, hinges on how we make our approaches. If we give to the countries concerned the information that we obtain about diversions so that they can take actions themselves, we will naturally cause less embarrassment than if we publicize to others their weaknesses. Essentially our problem for the future would seem to be to find the most diplomatic ways of ~~bringing~~ <sup>persuading</sup> ~~pressure so as to persuade~~ friendly governments themselves to improve their controls and to take action against violators.

In the case of U.S. origin goods, some countries have taken the position that U.S. strategic materials which are processed or made components of products of more or less different nature are "nationalized" (i.e. origin changed) by those actions; accordingly the U.S. should have no right to object to shipments to the bloc of the finished product. This brings up, of course, the ~~whole~~ problem of U.S. anti-frustration policy (PD 810). In addition, some countries object <sup>under PD 810</sup>

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to investigations conducted by U.S. Foreign Service personnel of the activities of foreign nationals engaged in illegal diversions of U.S. goods on the grounds that such investigative activities constitute an invasion of sovereignty or even commercial espionage. Certain countries have objected to our imposition of sanctions against participants having only a marginal role in diversions -- e.g., freight forwarders, carriers, banks, etc. However, since the beginning of security controls we have had only one <sup>(titiles)</sup> cause celebre involving complaints by a foreign country against the U.S. for imposition of compliance action against one of its nationals. Under these circumstances claims of embarrassment and fruitless expenditure of goodwill may not be too well founded.

On the question of enforcement of U.S. controls over commodities not included in the international export control lists, we must bear in mind our long time premise that COCOM controls are only the minimum which any PC is committed to impose over its commodities. Further, it has been agreed in COCOM that source countries have primary responsibility for the control of their own goods. Our problems vary depending on whether the goods are Positive List items or under only General License control. Our determination that goods are sufficiently strategic to warrant unilateral control regardless of COCOM agreement should be made with the realization that such action implies the need for further actions to enforce these controls. Goods under General License control (i.e., non-strategic or non-short supply) do not provide similar justification for full enforcement control and the needless expenditure of goodwill. However, we cannot ignore them completely since domestic considerations such as political and public relations enter into even this field. Obviously, from the U.S. point

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of view, the problems in trying to use U.S. export control enforcement in the general license commodity field are quite substantial; the present U.S. control system as applied to such commodities represents a number of administrative and public relations compromises that have the ultimate effect of making our enforcement in this area considerably weaker than in the area of Positive List commodities.

CONCLUSIONSA. Multilateral Controls:1. General

It would be desirable if the problems and deficiencies in the enforcement field as described above could be corrected. However, in view of the attitudes of foreign governments toward the economic defense program in general and the enforcement aspects in particular, it is unlikely that more than procedural modifications can be effected at this time in existing controls. Negotiation of proposals for any broad extension of the enforcement program must be dependent on the review and future course of the over-all security control program.

2. Encouragement of International Cooperation in Diversion Control

It is important to continue to encourage multilateral cooperation and exchanges of information in the handling of (illegal East-West trade transactions.) Our efforts toward this end should be with a view to encouraging more active participation by other PC's and toward a de-emphasis of U.S. initiative and bilateral pressure. To the extent that other countries adequately assume their full responsibilities in the program, the U.S. can withdraw from its unpopular position abroad as policeman and agitator for increased controls.

*Transactions in violation, or circumvention of foreign controls*

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a. Specifically we should press other PCs to employ the COCOM procedures outlined in Doc. 1634 and to support the activities of the COCOM Sub-Committee on Export Controls.

b. An additional proposal would be for the establishment of a COCOM Sub-Committee for the interchange among the technical investigative and enforcement experts of the PCs of useful investigative and related information. Such a Sub-Committee would provide a basis for understanding and cooperation among the investigative and enforcement staffs of the various PCs not obtainable through the existing Sub-Committee structure.

B. Non-Participating Country Cooperation:

The U.S. can and should continue its efforts to enlist non-PC cooperation and participation in existing enforcement measures, without prejudice to any decisions which might result in a change in over-all policies. The most immediate problems in this regard are our pending negotiations with certain Latin American, European, and Near Eastern countries for the institution of the TAC scheme and IC/DV system or similar controls.

C. U.S. Controls:

1. General

In the light of the conclusion outlined above for the international program and in consideration of the ~~added cost and~~ possible foreign and domestic trade criticism which would result from tighter U.S. enforcement controls, it *may be necessary* ~~probably would be preferable~~ to maintain the status quo in U.S. enforcement policies (except for ~~obvious~~ changes which can be made to plug loopholes) pending some major revision in our over-all economic defense policy.

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2. Improved Intelligence and Inter-Agency Support

There is an open field for improvement of:

- a. intelligence collection and dissemination;
- b. better collaboration between U.S. elements abroad which would assist in the more satisfactory implementation of already existing enforcement measures.

It is generally not considered an appropriate function of the Foreign Service to engage in the ~~covert~~ collection of information on illegal East-West trade and for this reason it is ~~neither~~ <sup>not adequately</sup> staffed nor organized to do so. An expanded effort on the part of the intelligence collection agencies in the field of East-West trade would undoubtedly bring forth an increased volume of information.

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